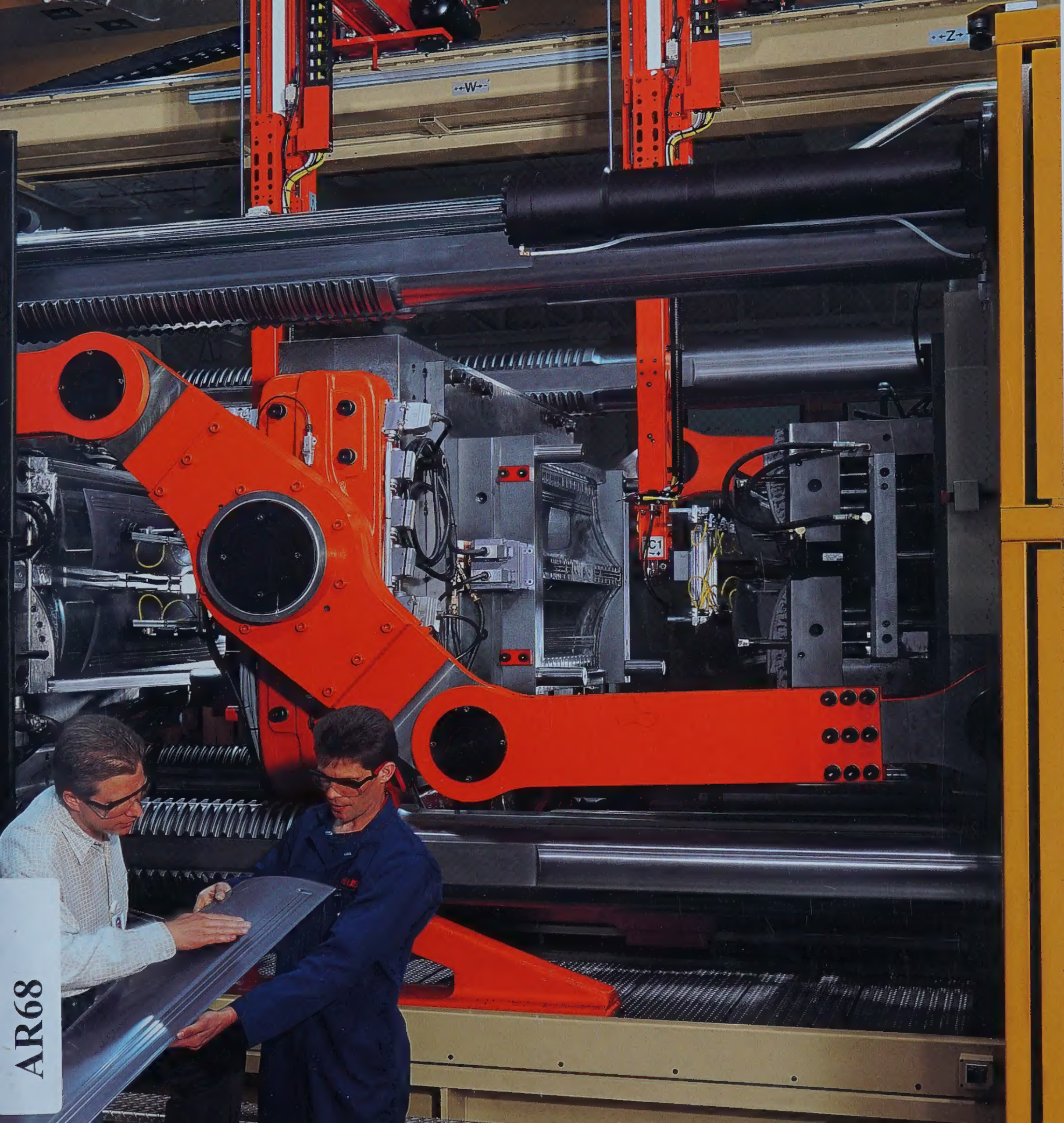

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Annual Report 1999

PT I

HUSKY

Injection Molding Systems

Overview

Husky was founded by Robert Schad in a Toronto garage in 1953. The first product—a single-track snowmobile known as the Huskymobile—was not a success, but the name remained. Today, Husky is the world's largest brand name supplier of equipment for the plastic injection molding industry, with Fiscal 1999 sales of US $708 million and 3,000 people worldwide.

Husky supplies a comprehensive range of products and services. Core products include injection molding machines from 60–8,000 tonnes, part handling robots, and hot runner systems. The Company dominates the growing world market for polyethylene terephthalate (PET) bottle preform equipment, supplying molds, machines, and integrated systems.

The 90 tonne Index system is designed for low output applications including wide-mouth containers.

Customers produce a wide variety of plastic products, such as bottles for mineral water and soft drinks, automotive parts, medical components, food packaging containers and electronic equipment such as cellular phone and laptop computer housings.

Husky's focus is on providing complete solutions aimed at maximizing customer productivity—not simply selling hardware. Our global Service and Sales network, with 33 offices supporting customers in 70 countries, is staffed exclusively with Husky people—not agents. Area Managers have the training and experience to improve the operation of customers' equipment, and consult on matters such as efficient factory layouts and training.

Husky's Systems Group specializes in the design of injection molding plants. They work with customers to optimize existing manufacturing operations, plan new facilities and, through alliances with suppliers of complementary equipment and services, provide complete "turn key" factories. The Advanced Manufacturing Center is the only facility of its kind in the industry. Complete molding systems are integrated and tested in a production environment, accelerating the development and commercialization of new technology.

Regional Technical Centers in North America, Latin America, Europe and Asia-Pacific offer convenient access for mold trials, product demonstrations, local systems integration and training.

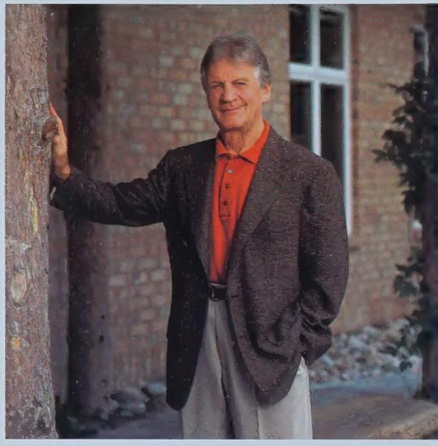
Multiple manufacturing operations are grouped together on campuses in Bolton, Ontario; Milton, Vermont; and Dudelange, Luxembourg. Ready space means new production facilities can be built quickly to accommodate growth. Maintaining a single corporate culture is critical, making internal growth much more effective than acquisitions.

The campus environment encourages teamwork, the exchange of ideas, and sharing of resources — providing cross-business synergy. Economies of scale increase cost efficiency, and allow investments in services such as fitness, wellness and child care facilities for Husky people. These initiatives contribute to keeping the company's absenteeism and injury frequency rates far below industry averages, and help to attract top talent from around the world.

Over 300 guests attended the opening of the Brazil Technical Center in Jundiai, just north of São Paulo.

Campuses can accommodate manufacturing; wellness and fitness; and childcare facilities in a natural environment. Shown: The Copper House on the Bolton, Ontario Campus.

President's Message



Robert Schad

Two years ago, Husky was at a turning point. Being essentially a technology marketing company, we were focused on niche markets primarily in the packaging industry. Our cost base was high and our manufacturing operations required development. As the industry continued to consolidate, we started to see competition from generic machine suppliers who targeted our niche markets based on their lower cost structure.

Seeing clearly the signs of change, we decided to launch an aggressive program with the goal to transform our company from a niche player in the packaging market to become the world's leading supplier of injection molding equipment to the plastics industry. The impact of this strategic decision was far reaching. We had to:

- Re-engineer existing products and introduce new ones to effectively compete in key niches and in broader markets.
- Build up our manufacturing operations to both add capacity and radically lower our costs.
- Expand our Service and Sales organization to reach and support a much larger customer base.
- Build an organization that is based on communication and teamwork rather than hierarchy.

Most importantly, however, we had to change our thinking. We had to realize that we were no longer like a "Ferrari," offering a highly specialized product to an exclusive clientele. We were now like a "Mercedes," offering a premium product to a broad base of customers who appreciate value. And we had to learn that the market, not our cost base, sets the price.

Despite adverse market conditions in Eastern Europe, Latin America and Asia-Pacific which had a major impact on our business, we followed through on our strategy. There is no question: we are a different company today than we were just two short years ago. And while there is still much work to be done, we are well on our way to achieving what we set out to do.

Our mission—to make a significant contribution to our customers' success.

At the beginning of Fiscal 2000, this is where we stand:

New Products

Husky now offers a line of injection molding machines ranging from 60 to 8,000 tonnes for both general purpose and specialized applications. The small tonnage S-Series was launched this past year and has opened up new opportunities. Our Hot Runner and Robot programs are helping us to position these new machines as part of a competitive, value-added package.

We have entered the growing low output segment of the PET packaging market with the introduction of the 90 tonne, dual-faced Index system. This system is attractive for applications such as wide-mouth specialty bottles and jars, and can be linked directly to blow molding machines to form a very efficient production process. At the same time, we continue to lead innovation in the high output preform molding market. Last year, we sold Index preform molding systems to over 20 customers worldwide. In 1999, we also introduced our first Thixomolding® system for the process of injection molding magnesium and potentially other thixotropic metals. Husky is one of two exclusive Thixomolding licensees world-wide. We see great potential in this technology as it has applications in the automotive, telecommunications and consumer electronics industries.

Launched in 1999, the small tonnage S-Series machines have quickly gained market acceptance.

Capacity Expansion and Cost Reductions

We have ramped up production in our new Components plant on the Bolton Campus, reducing costs for major parts. This coming year we plan on tripling the value of internal component production.

The Mold plant in Bolton is now dedicated exclusively to the production of PET preform molds and has been equipped with new, highly specialized manufacturing equipment.

In September, 1998, the Hot Runner plant opened on the Campus in Milton, Vermont and is now fully operational. After the initial start-up period, on-time delivery has already reached a level between 95 and 100%.

In April, 1999, we completed the building of our Mold and Hot Runner plant on the Campus in Luxembourg, reducing lead times for European customers. At the same time, we are consolidating the manufacture of large tonnage machines in Luxembourg by closing our rented facility in Pittsfield, Massachusetts.

Hot Runner plate manufacturing in Milton, Vermont. Dedicated facilities for Hot Runners and Preform Molds have resulted in reduced manufacturing costs, shorter lead times, and improved quality.

Investment in Service and Sales

We are strengthening our sales force in order to effectively market our expanded product line.

Our newest, and largest Technical Center was opened in Novi, Michigan — a Detroit suburb — in July of 1999. This facility has become our North American headquarters for the automotive industry. Together with DaimlerChrysler, we are operating our 8,000 tonne injection molding machine which was designed, built and installed this year. With the closure of the Pittsfield facility, the Technical Center will also serve as the base for North American Large Tonnage Service and Sales organization.

We also officially opened new Technical Centers in Brazil, the United Kingdom, Boston, Massachusetts and Chicago, Illinois. This brings our network of Technical Centers to a total of nine.

As we move forward, we are well positioned to achieve our goal. We have built a strong team, and we have made necessary investments in products and facilities. We are convinced that the commitment to our long-term strategy and to the success of our customers will build lasting business success and value for our shareholders.

Robert Schad

Robert Schad, President

Product Initiatives

General Purpose Machines

In 1997, Husky began a program of expansion and diversification from being not only a niche player, but a more broadly-based supplier to high end, general purpose markets. The medium tonnage G-Series machine was introduced, with the goal of providing customers with superior value at competitive prices.

In the past two years, the cost of these machines has been significantly reduced. Unit sales of general purpose machines have consistently increased since the introduction of the G-Series, and today account for a substantial portion of all medium tonnage machine sales. This year, 23% of these machines were shipped to new Husky customers.

Robotic welding cell in the Components facility on the Bolton, Ontario Campus. In-house manufacturing of key components has reduced costs and lead times.

The large tonnage E-Series machine, also introduced in 1997, has seen similar market acceptance. Husky is now the world's third largest supplier of large tonnage machines. In 1999, our customer base grew by 20%.

Two innovative technologies have been introduced to help large tonnage molders increase productivity:

The Multi-Mold Carrier is similar in principle to stack molding. Existing, independent molds for parts with similar shot weights, can be mounted on both faces of a center platen, virtually doubling the output of the injection molding machine. A patented adjustable linkage can accommodate molds with different shutheights.

In-Line Robots save valuable floorspace. Most conventional robots deposit parts on the side of the machine. The new In-Line Robot places parts at the clamp end, allowing machines to be placed more closely together. A dual carriage model has been developed for use with Multi-Mold Carriers.

Hot Runner Systems

Hot Runners are an important driver of our overall company strategy. Hot Runners help us to better understand our customers' business, and are often the first step in establishing new relationships.

Less than one-third of all molds use hot runners today. New technology and competitive pressures continue to drive the conversion from cold runners. The additional investment required for a hot runner system is usually offset through increased productivity.

Husky Hot Runners are finding new applications for increasingly smaller parts. The 250 Series "mini-nozzle" has a very narrow diameter. This overcomes spacing constraints, and allows gating in difficult-to-access areas such as inside small closures. In one example, a cosmetic cap, this has allowed 72 cavities to fit in a very compact mold frame, increasing the customer's productivity by more than 100%.

With dedicated facilities in Vermont and Luxembourg, our Hot Runner competitiveness has been significantly improved through much better lead times and on-time delivery. In its first full year of operation, the Vermont facility has decreased lead times by 33%.

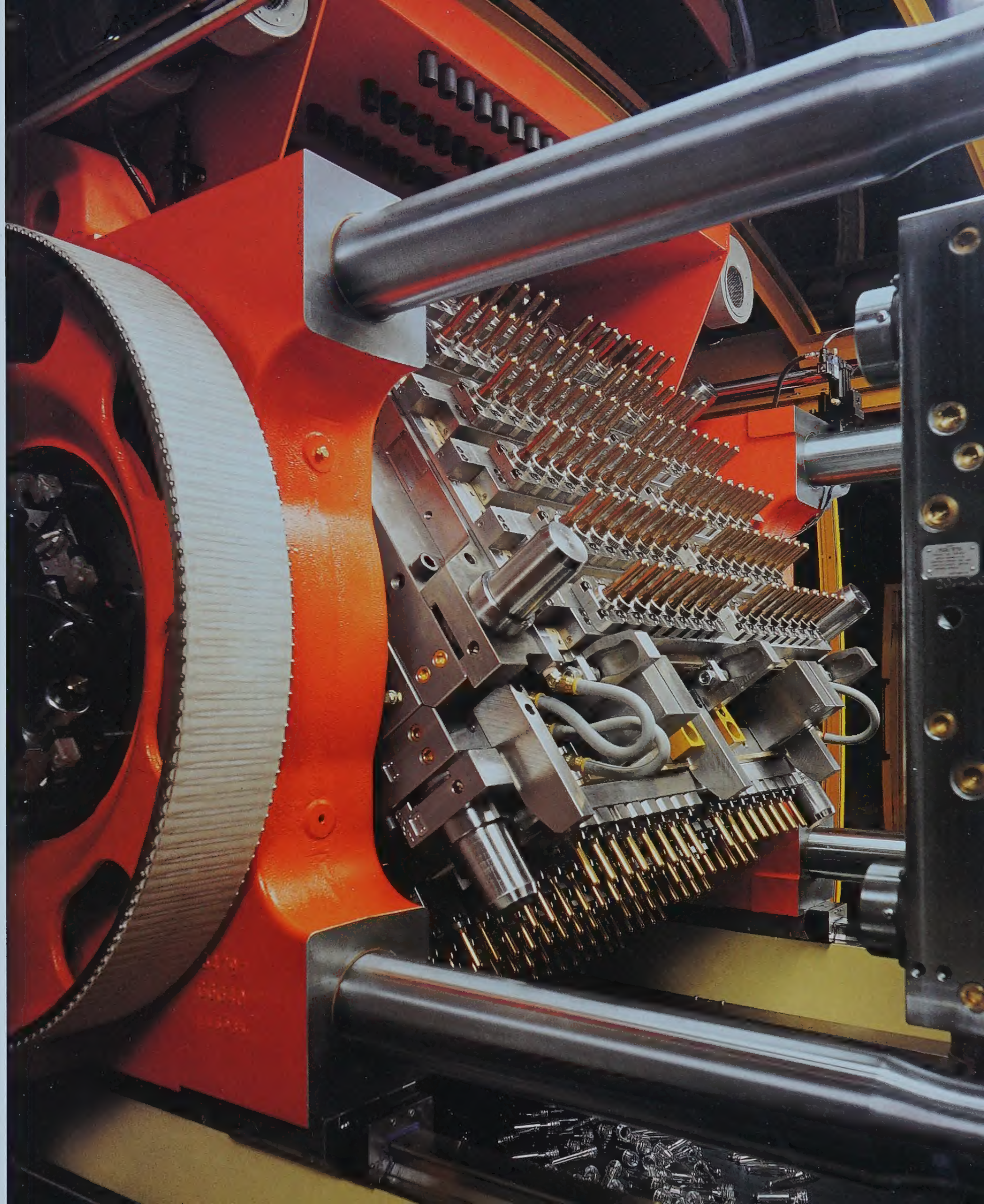
PET Preform Systems

Product developments in the past year have helped existing customers increase productivity, and offered new solutions to molders with lower output applications:

The Index system has been the major focus of development activity. Machines are now available in 90, 250 and 400 tonne models, including co-injection versions. Molds from 8 to 96 cavities can be used in a dual or quad-face configuration to maximize the system's output per capital investment for a range of applications.

The CoolJet™ system provides additional post-mold cooling for conventional G-PET molding systems. By allowing the part to be removed from the molding area faster, productivity is increased by as much as 5–10%.

A PET Process and Optimization group has been formed to help customers get the most out of their molding systems. Our engineers improve productivity through in-plant process and cycle time optimization studies. The Bottle Development Center, located on the Bolton, Ontario Campus, supports customers with services including preform and bottle design, prototyping and resin testing.



A 96 cavity Index system in a quad configuration for high output applications.

This highly efficient PET Preform production facility is equipped with G-PET systems. Courtesy of Schmalbach-Lubeca.

New Products

Processors are increasingly looking to global suppliers with a complete range of injection molding machines. Standardizing on one machine brand and control system simplifies training, maintenance and technical support. With the introduction of the small tonnage S-Series, Husky now builds machines from 60 – 8,000 tonnes.

S-Series

Launched in May 1999, initial market acceptance of the S-Series has been encouraging, with orders received from both new and existing customers. Applications to date include medical components, consumer products and packaging. Options including multi-material injection and a stack mold carrier are now in development.

Thixomolding®

In 1999, we designed and built our first Thixomolding machine. Thixomolding—the process of injection molding magnesium and other thixotropic alloys—offers the precision and light weight advantages of injection molded plastics, combined with the stiffness and strength of metal. Magnesium is easily recyclable, and its technical properties make it ideal for applications like laptop computer housings, cellular phones and automotive components.

Thixomolding represents a new niche with significant potential. We are moving ahead to fully commercialize this technology.

Thixomolding offers the strength and stiffness advantages of metal combined with the precision and light weight of injection molded plastics

E-Series

The 8,000 tonne machine was completed on schedule in July, 1999. To design and build the world's largest injection molding machine in just over one year required a major team effort. The Large Tonnage Machine, Medium Tonnage Machine, Factory Planning and Service and Sales groups were up to the challenge.

Individual components and sub-assemblies were shipped directly to the new Detroit Technical Center, where the machine was assembled. In a joint development project with DaimlerChrysler and their Tier 1 molding supplier, Decoma International, the machine is producing large, structural automotive body panels.

The 8,000 tonne machine–the world's largest two-platen injection molding machine–operating in the new Detroit Technical Center.

Customer Support

Husky is committed to developing solutions aimed at maximizing customer productivity — not just selling hardware. Our global Service and Sales network forms the foundation of this approach.

In 1999, we continued to expand this network to support a growing customer base. Technical Centers in Brazil and the U.K. became fully operational, while smaller Regional Centers were opened in Boston and Chicago. These facilities are providing customers with local access to new product demonstrations, mold trials and systems integration.

The year was highlighted by the opening of the Detroit Technical Center, located in the heart of the North American automotive industry. With the phase-out of production at the Pittsfield facility, the Technical Center has also become the base of support for North American large tonnage customers. As the majority of large tonnage machines are sold for automotive applications, Detroit is an ideal location for local engineering, field installation, service and training support. A team of people is dedicated to this task.

Services geared to helping customers design efficient molding operations and improve the performance of existing facilities were combined in the Systems Group this year. The group designs production workcells and, working with mold-makers and suppliers of complementary equipment, integrates complete systems.

Automotive customers conduct mold trials at the UK Technical Center in Coventry.

In an example of the global scope of this service, a unique, flexible system for producing containers and lids was completed this year for a Latin American customer. The system includes a Husky machine, multiple molds from a Canadian partner with Husky Hot Runners, product handling equipment from a leading German supplier, and American packaging machinery. This system is designed for quick changeover of molds and automation, allowing different products to efficiently be produced in the same workcell. It was fully tested in the Advanced Manufacturing Center prior to shipment to the customer's plant.

Our engineers conduct operational audits and benchmarking studies at existing plants to help customers get the most out of their facilities. Factory Planning studies recommend efficient designs for expansions, conversions and greenfield plants. The group also manages complete turnkey factory projects—from design to construction and commissioning. Turnkey projects completed this year include a new factory for a Canadian container molder and a plant conversion for a large U.S. packaging processor. Over the past five years, Husky has designed more than 100 injection molding plants.

Systems solutions involve integrating machines, molds and down-stream product handling equipment. Courtesy of Pass & Seymour Legrand.


HUSKY

Values in Action

As global competition intensifies, we believe that it is people who make the difference between a mediocre company and a truly great company. We strive to attract people who thrive in our distinct corporate culture and who are inspired by our purpose — to be a role model of lasting business success based on our core values:

- Make a contribution
- Environmental responsibility
- Passion for excellence
- Uncompromising honesty

Last year, Husky was presented with three prestigious awards that reflect our commitment to these values. These are the "Financial Post Gold Environmental Leadership Award", the "National Occupational Health and Safety Award of Excellence", and the "Ethics in Action Award" for ongoing social responsibility. All Husky people have the right to be very proud of these achievements.

Our manufacturing plants demonstrate that regard for environment, health and safety are an integral part of operational excellence. Global warming continues to be a serious problem.

A demonstration of Husky Spirit—fundraising events were held in support of the Balkan Relief Fund.

We have aggressively reduced the use of ozone depleting hydrochlorofluorocarbons (HCFCs), chlorinated solvents and volatile organic compounds (VOCs). On the Bolton Campus, over the past two years, we have:

- Eliminated the annual use of a quarter of a million liters of chlorinated solvents by converting metal part cleaners to water-based washers
- Stopped using more than 4,000 liters of both toluene and naphtha annually
- Eliminated the annual release of 8.4 tonnes of VOCs by converting our painting process to water-based coatings.

Our investments in facilities and programs such as childcare, wellness and fitness not only allow our people to maintain high standards of performance, they also translate into benefits that can be clearly measured. Last year, our absenteeism rate was a mere 2.25 days per employee, and we further reduced our injury rates to 0.77 per 200,000 hours worked. These efforts were well rewarded as we received maximum rebates on our Workplace Safety and Insurance Board premiums.

Cross-campus paint team in Bolton, Ontario which was instrumental in substituting our high solvent-based paint with zero VOC water-based coatings.

Financial Highlights

Our financial performance in Fiscal 1999 was affected by a number of internal and external factors. Sales in Fiscal 1999 were US $708 million, down 7% from last year. While PET sales in North America were up over last year, this was not enough to offset weaknesses in other regions. European sales declined due to preform manufacturing overcapacity which resulted in delayed capital expenditures; Latin American sales were adversely affected by the Brazilian currency devaluation; and, sales to Asia-Pacific continued to reflect the economic slowdown in the region. However, in other market segments outside of PET, sales increased over Fiscal 1998 levels.

Net income in Fiscal 1999 was US $15 million compared with US $46 million last year. The decline was principally caused by a reduction in gross profit, mainly related to lower volume levels and to our three start-up businesses. Results also reflect costs associated with the transition of hot runner manufacturing from Bolton, Ontario to Milton, Vermont

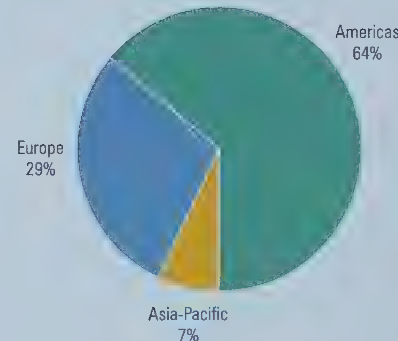
Financial Highlights for the Years Ended July 31, 1999 and 1998

Operating Results (US $ thousands)	**1999**	**1998**
Sales	708,207	762,003
Gross profit	152,143	201,781
Net income	15,171	45,586
Operating cash flow[1]	54,418	66,642
Per Share Data (US $)		
Basic earnings per share	0.14	0.45
Basic operating cash flow[1] per share	0.49	0.66
Financial Position (US $ thousands)		
Working capital	47,170	(17,015)
Total debt[2]	139,154	80,413
Shareholders' equity	316,302	217,747
Total assets	664,834	575,790
Selected Financial Information (US $ thousands)		
Net income margin	2.1%	6.0%
EBITDA[3]	70,792	103,929
Capital expenditures	130,484	154,605
Total debt to total capital	31%	27%

(1) Net income plus items not affecting cash
(2) Total interest-bearing debt
(3) Earnings before interest, taxes, depreciation and amortization

Sales by Geographic Region

Fiscal 1999



Sales Growth

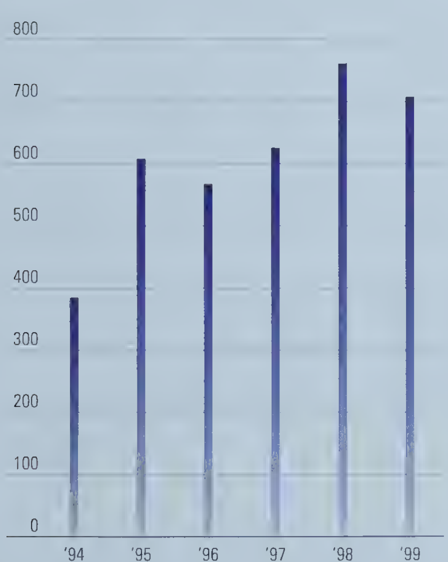
(compound annual growth rate)

- 5 year sales growth 14%
- 10 year sales growth 19%

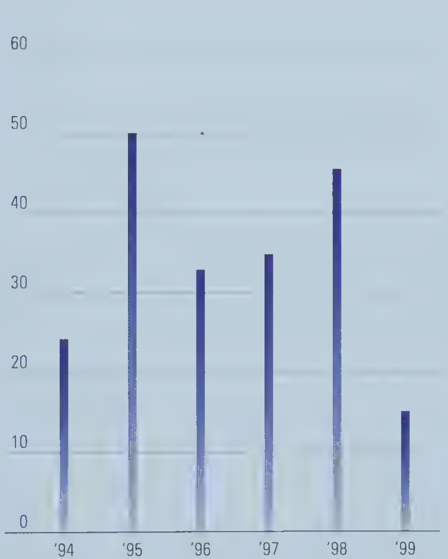
and the centralization of large tonnage machine manufacturing in Luxembourg. Finally, due to the lower volume levels, improvements in manufacturing efficiencies and cost reductions were not fully realized.

In November 1998, despite difficult market conditions, our Initial Public Offering was successfully completed. The net IPO proceeds of US $99 million were primarily used for our capital expenditure program. In total, we invested US $130 million in capital in Fiscal 1999 bringing our five year investment total to US $452 million. With the manufacturing capacity we have added, we are in a strong position to respond quickly to increased demand and are well positioned to further reduce costs. Going forward we intend to maintain a long-term focus. We believe that our opportunities for growth are substantial and place us in a strong position to create significant shareholder value.

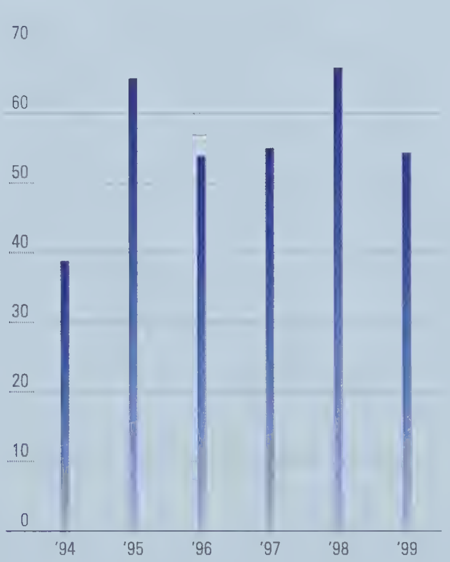
Sales
(US $ millions)



Net Income
(US $ millions)



Operating Cash Flow
(US $ millions)



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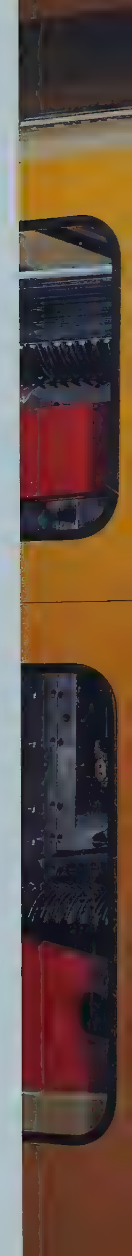
Cover:
Innovations like multi-mold carriers for large tonnage machines and dual carriage, in-line robots allow automotive molders to increase the output of their facilities.



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Annual Report 1999

Financial Supplement PT II

HUSKY

Injection Molding Systems

Contents

All figures in this report are stated in U.S. dollars.

This document provides supplementary information to the Company's "Annual Report 1999" and should be read in conjunction with that document.

Financial Highlights

	Fiscal Years Ended July 31,		
(in thousands of U.S. dollars)	**1999**	1998	1997 [a]
Sales	**708,207**	762,003	626,417
Gross profit	**152,143**	201,781	153,162
Sales and administration expenses	**111,847**	116,040	91,395
EBITDA [1]	**70,792**	103,929	83,054
Depreciation and amortization	**37,920**	24,627	21,287
Interest expense, net	**8,403**	5,776	4,477
Net income	**15,171**	45,586	34,890
Capital asset additions	**130,484**	154,605	39,352

[1] *Earnings before interest, taxes, depreciation and amortization*

[a] *For fiscal 1997, amounts have not been restated for the November 6, 1998 amalgamation and are compiled from the audited consolidated financial statements of Husky Injection Molding Systems Ltd. prior to the amalgamation*

Management's Discussion and Analysis

Results of Operations

The following is a discussion of the consolidated financial condition and results of operations of Husky Injection Molding Systems Ltd. (the "Company") and should be read in conjunction with the consolidated financial statements of the Company. All amounts are stated in U.S. dollars.

Fiscal year ended July 31, 1999 compared to the fiscal year ended July 31, 1998

Fiscal 1999 sales decreased 7% to $708.2 million from $762.0 million in fiscal 1998. Sales growth of 7% in the Americas was more than offset by declines of 16% in Europe and 48% in Asia Pacific. The increase in the Americas was largely due to strong demand in PET packaging and other markets in the United States, partially offset by weakness in the Latin American region as a result of the Brazilian currency devaluation. The decline in Europe resulted from PET preform production over-capacity which delayed customers' capital expenditures. The decline in Asia Pacific was mainly due to economic uncertainty and lower orders in China.

Gross profit of $152.1 million in fiscal 1999 represented 21.5% of sales compared to 26.5% in fiscal 1998. The decrease in gross profit was largely due to lower sales volumes, an unfavourable product mix and increased costs attributed to start-up production facilities on the Milton, Vermont; Dudelange, Luxembourg; and Bolton, Ontario campuses. All start-up costs associated with these new facilities are expensed as incurred. Continued cost reduction initiatives in the manufacturing operations and favourable foreign exchange rates partially offset the above factors. Depreciation and amortization increased $13.3 million to $37.9 million in fiscal 1999. Approximately 75% of total depreciation and amortization is included in gross profit.

Sales and administration expenses decreased $4.2 million to $111.8 million (15.8% of sales) in fiscal 1999 from $116.0 million (15.2% of sales) in fiscal 1998. Lower incentives and donations were partially offset by the continued expansion of the service and sales network.

EBITDA of $70.8 million (10.0% of sales) in fiscal 1999 decreased 32% from $103.9 million (13.6% of sales) in fiscal 1998. Included in EBITDA are transition costs of $7.4 million and $6.4 million for fiscal 1999 and fiscal 1998, respectively. Transition costs for fiscal 1999 include $4.2 million for employee termination and relocation costs and closing costs of the large tonnage machine operation in Pittsfield, Massachusetts. This facility will be closed in fiscal 2000 and large tonnage machine manufacturing will be consolidated in Dudelange, Luxembourg. A further $3.2 million was incurred in fiscal 1999 to complete the transition of hot runner manufacturing from Bolton, Ontario to Milton, Vermont. Fiscal 1998 transition costs all related to the transition of hot runner manufacturing.

Interest expense, net of interest income, increased to $8.4 million in fiscal 1999 from $5.8 million in fiscal 1998 as a result of increased borrowings to finance the Company's expansion program.

Net income of $15.2 million for fiscal 1999 decreased 67% from $45.6 million in fiscal 1998.

In fiscal 1999, the Company undertook capital additions of $130.5 million compared to $154.6 million in fiscal 1998. Significant fiscal 1999 activity included completion of: the hot runner manufacturing operation in Milton, Vermont; the molds and hot runner facility in Dudelange, Luxembourg; and technical centers in Detroit, Michigan; Coventry, England; and São Paulo, Brazil.

Fiscal year ended July 31, 1998 compared to the fiscal year ended July 31, 1997

Fiscal 1998 sales increased 22% to $762.0 from $626.4 million in fiscal 1997. Sales grew 35% in the Americas and 26% in Europe which more than offset the 21% decline in Asia Pacific. The growth in the Americas was due to a substantial increase in shipments to Mexico and Latin America and increased shipments for the United States bottled water market. The strong performance in Europe was due primarily to increased demand for bottled water and soft drinks in Eastern Europe, the conversion from PVC to PET packaging in the Middle East, and penetration into new non-packaging market segments in Western Europe. The sales decline in Asia Pacific was due to a decline in Japan where the market absorbed the preform capacity delivered in fiscal 1997 and local competitors benefited from the weaker Yen.

Gross profits of $201.8 million in fiscal 1998 represented 26.5% of sales compared to 24.5% in fiscal 1997. The increase in gross profit was driven by the volume increase and continued cost reductions which offset price reductions, increases in manufacturing overheads to support the sales growth and start-up costs for component manufacturing and small tonnage machines. Cost reduction initiatives included investments in production machinery and ongoing efforts to simplify and standardize product design, which reduces material cost and assembly time and creates economies of scale in procurement. Depreciation and amortization increased to $24.6 million in fiscal 1998 from $21.3 million in fiscal 1997.

Sales and administration expenses of $116.0 million in fiscal 1998 represented 15.2% of sales compared to 14.6% in fiscal 1997. An increase in information services infrastructure costs and the continuing expansion of the service and sales network contributed to the increase in expenses.

EBITDA of $103.9 million (13.6% of sales) in fiscal 1998 increased 25% from $83.1 million (13.3% of sales) in fiscal 1997. Included in EBITDA are transition costs of $6.4 million relating to the relocation of hot runner manufacturing from Bolton, Ontario to Milton, Vermont. There were no transition costs in fiscal 1997.

Interest expense, net of interest income, increased to $5.8 million in fiscal 1998 from $4.5 million in fiscal 1997 as a result of increased borrowings to finance the Company's expansion program.

Net income of $45.6 million for fiscal 1998 increased 31% from $34.9 million in fiscal 1997.

In fiscal 1998, the Company undertook capital additions of $154.6 million compared to $39.4 million in fiscal 1997. Significant fiscal 1998 activity included construction of: the components facility in Bolton, Ontario; the hot runner manufacturing operation in Milton, Vermont; the molds and hot runner facility in Dudelange, Luxembourg; and technical centers in Coventry, England and São Paulo, Brazil.

Liquidity and Capital Resources

Cash provided by operating activities in fiscal 1999 amounted to $7.4 million, compared with $47.6 million in fiscal 1998. In fiscal 1999, working capital increased $47.0 million mainly due to lower income taxes payable and customers' deposits and reduced incentive and donation accruals. Customers' deposits were $35.1 million at July 31, 1999 compared to $52.1 million at July 31, 1998. This decrease was seen in each geographic region and is attributable to a shift in product mix in the ending order backlog.

In fiscal 1999, the Company undertook capital expenditures of $130.5 million compared to $154.6 million in fiscal 1998. Cash provided by financing activities in fiscal 1999 was $139.6 million compared to $20.3 million in fiscal 1998. The increase in cash from financing activities primarily relates to net proceeds of $98.6 million received from the November 9, 1998 initial public offering and an increase in long-term debt of $60.0 million. Pursuant to an amalgamation

on November 6, 1998, a special dividend of $19.0 million was paid. Overall, cash and cash equivalents were $9.6 million at July 31, 1999.

The Company has an agreement with two Canadian banks for a committed, unsecured revolving credit facility under which it may borrow up to $100 million. The facility matures on November 6, 2002. As at July 31, 1999, the amount drawn was $85.0 million. The Company has an agreement with a number of banks for an additional committed, unsecured revolving credit facility under which it may borrow up to $125 million. This facility, which replaces a $60 million facility expiring on October 9, 1999, will mature concurrently with the $100 million revolving credit facility. Borrowings under these facilities are to be used by the Company for general corporate purposes.

Senior unsecured debentures of Cdn. $80 million are due May 11, 2001, with no principal payments required until maturity and with a fixed coupon rate of 9.48%. A term loan facility of Luxembourg Francs 39.0 million (U.S. $1.0 million) at July 31, 1999 will be repaid by fiscal 2005.

The Company expects to meet its cash requirements through fiscal 2000 from available cash balances, cash flow from operations and its borrowing capacity. Dividends are not expected to be paid in the immediate future.

Year 2000 Compliance

The Year 2000 issue arises from computer programs that use only two digits to record the year. On January 1, 2000, when the year is designated as "00", computer systems may create erroneous data as a result of interpreting the date as the year 1900. The Company makes use of internal information systems in the operation of its business. The Company uses software and information systems provided by third parties in its accounting and business systems and for its engineering.

In fiscal 1998, the Company initiated a global Year 2000 program coordinated by a full-time project manager who reports to a steering committee comprised of senior management. The goal of the program is to achieve Year 2000 readiness. The Company has developed a project methodology for Year 2000 readiness based upon the automotive industry's standardized methodology. All products currently produced by the Company are Year 2000 compliant. Testing of information systems is substantially complete and the majority of systems regarded as critical to the Company have been confirmed by vendors to be Year 2000 compliant. The Company is testing these critical systems internally in order to confirm vendor Year 2000 compliance statements. Remediation of critical non-compliant information systems is substantially complete; compliant software has been implemented and the majority of users have been trained. Training will be completed by December 1999. Remediation of critical manufacturing equipment is complete.

There is on-going communication with customers, suppliers and others to coordinate the Company's Year 2000 readiness efforts. The Company has assessed its risks associated with potential disruptions related to the Year 2000 issue and contingency plans are being developed where deemed appropriate. The contingency plans are focused on internal operations and production suppliers and will be completed by November 1999.

Based on progress to date, management believes it is unlikely that Year 2000 issues will materially affect its products, critical systems and equipment. However, it is not possible to be certain that all risks relating to the issue will be fully resolved, particularly those related to third parties. The Company does not expect the project to cost in excess of $2 million in the aggregate. The costs incurred to date have been immaterial and are expensed as incurred. In addition, these costs and the date on which the Company plans to complete the year 2000 modifications and testing process are based

on management's best estimates, which were derived using assumptions of future events including availability of certain resources, third party modification plans and other factors. There can be no guarantee that these estimates will be achieved and actual results could differ from these plans.

Other Risks and Uncertainties

The following factors, among others, could have a material adverse effect on the future profitability of the Company.

In fiscal 1998 and 1999, the Company has significantly increased manufacturing capacity. There can be no assurance that this capacity will be fully utilized in the future.

In some market segments, certain competitors with greater financial resources than the Company may be capable of sustained price competition. The Company's diversification by product line and geographic market reduces this risk.

Mr. Schad has served as the Company's President and Chief Executive Officer since he founded the Company in 1953. Husky has an experienced senior management team and the Board of Directors is developing a succession plan for implementation when required. However, there is no guarantee that the loss of Mr. Schad's services would not have an adverse effect on the Company during a transition period.

The Company's financial results are impacted by currency exchange rate fluctuations relative to the U.S. dollar. For example, the Company has a significant Canadian dollar cost base. The Company also sells to customers and competes against equipment manufacturers with base currencies other than the U.S. dollar. The Company regularly enters into derivative financial instruments to manage exposures related to exchange rates.

Capital equipment markets are influenced by changes in macro-economic factors and have historically fluctuated in line with economic cycles over a long period of time. The Company's broad geographic coverage and wide product line reduces this risk.

A significant portion of the Company's sales and profits are attributable to the PET packaging market. In order to diversify its exposure to the PET packaging market, the Company has developed products that provide access to other injection molding equipment markets. There can be no assurance that these diversification efforts will be successful.

The Company sources components from certain key suppliers. While the Company has alternate sources for most component purchases, the loss of a key supplier could adversely affect the Company in the short term.

Outlook

The Company is optimistic that order levels will improve on those achieved in fiscal 1999. With the capacity added in the last two fiscal years, the Company can respond quickly to an increase in demand.

The Company anticipates that performance in fiscal 2000 will exceed fiscal 1999. Consistent with prior years, the Company expects that a significant portion of sales and net income will be generated in the last six months of the fiscal year.

Forward Looking Statements

This annual report may contain certain forward-looking statements that reflect the Company's current view of future events, business outlook and anticipated financial performance. Forward-looking statements are subject to certain risks, uncertainties and other factors that could cause actual results and outcomes to differ materially from such statements.

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of Husky Injection Molding Systems Ltd. and all the information in this Annual Report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles in Canada. Estimates are necessary in the preparation of these statements and, based on careful judgments, have been properly reflected in the financial statements. Management has established systems of internal control which are designed to provide reasonable assurance that assets are safeguarded from loss and to produce reliable accounting records for the preparation of financial information.

The Audit Committee of the Board of Directors has full and unrestricted access to all financial records. It meets periodically with management and the independent auditors to discuss the Company's financial reporting practices, its systems of internal accounting controls, the planned scope of examination by independent auditors and their findings and recommendations.

The Company's independent auditors, Ernst & Young LLP, have full and unrestricted access to all financial records and to the Audit Committee. Their audit is conducted on behalf of shareholders and is performed in accordance with generally accepted auditing standards in order to express their opinion on the consolidated financial statements of the Company.

Robert Schad

Robert Schad
President and Chief Executive Officer

Stephen Wilson
Vice President Finance and Chief Financial Officer

Auditors' Report

To the Shareholders of Husky Injection Molding Systems Ltd.

We have audited the consolidated balance sheets of Husky Injection Molding Systems Ltd. as at July 31, 1999 and 1998 and the consolidated statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 1999 and 1998 and the results of its operations and the changes in its cash flows for the years then ended in accordance with generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Toronto, Canada, September 3, 1999

Consolidated Balance Sheets

As at July 31 (in thousands of U.S. dollars)	1999	1998
		(restated - note 1)
ASSETS		
Current		
Cash and cash equivalents	**9,581**	7,247
Accounts receivable	**84,900**	102,590
Income taxes receivable	**3,598**	–
Inventories (note 2)	**124,687**	118,467
Prepaid expenses and other (note 3)	**7,058**	10,940
Deferred income taxes	**12,478**	10,037
Total current assets	**242,302**	249,281
Capital assets (note 4)	**422,532**	326,509
	664,834	575,790
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued charges	**159,860**	198,581
Customers' deposits	**35,100**	52,135
Income taxes payable	**–**	14,176
Current portion of long-term debt (note 5)	**172**	1,404
Total current liabilities	**195,132**	266,296
Long-term debt (note 5)	**138,982**	79,009
Accrued pension liability (note 6)	**3,603**	2,397
Deferred income taxes	**10,815**	10,341
	348,532	358,043
Commitments and contingencies (note 7)		
Shareholders' equity		
Share capital (note 8)	**128,987**	26,603
Retained earnings	**187,315**	191,144
Total shareholders' equity	**316,302**	217,747
	664,834	575,790

See accompanying notes

On behalf of the Board

Lawrence Tapp, Director

Richard Roswech, Director

Consolidated Statements of Income and Retained Earnings

Years ended July 31 (in thousands of U.S. dollars, except share data)	1999	1998
		(restated - note 1)
Sales	**708,207**	762,003
Cost of sales	**556,064**	560,222
Gross profit	**152,143**	201,781
Other expenses		
Sales and administration	**111,847**	116,040
Transition costs (note 9)	**7,424**	6,439
Interest - current, net	**(178)**	(2,384)
- long-term	**8,581**	8,160
	127,674	128,255
Income before income taxes	**24,469**	73,526
Provision for (recovery of) income taxes (note 10)		
Current	**8,938**	31,302
Deferred	**360**	(3,362)
	9,298	27,940
Net income for the year	**15,171**	45,586
Retained earnings, beginning of year	**191,144**	145,558
Dividends paid	**(19,000)**	–
Retained earnings, end of year	**187,315**	191,144
Basic earnings per share (U.S.$)	**0.14**	0.45
Weighted average number of Common Shares outstanding (millions)	**111.2**	100.9

See accompanying notes

Consolidated Statements of Cash Flows

Years ended July 31 (in thousands of U.S. dollars)	**1999**	1998
		(restated - note 1)
OPERATING ACTIVITIES		
Net income for the year	**15,171**	45,586
Add (deduct) items not affecting cash		
Depreciation	**37,837**	24,527
Amortization	**83**	100
Gain on disposal of capital assets	**(239)**	(1,104)
Increase in accrued pension liability	**1,206**	895
Deferred income taxes	**360**	(3,362)
Operating cash flow	**54,418**	66,642
Net increase in non-cash working capital balances related to operations	**(46,993)**	(19,062)
Cash provided by operating activities	**7,425**	47,580
INVESTING ACTIVITIES		
Additions to capital assets	**(130,484)**	(154,605)
Net increase (decrease) in accounts payable and accrued charges related to capital asset additions	**(16,132)**	27,087
Cash used for capital asset additions	**(146,616)**	(127,518)
Proceeds from sale of capital assets	**1,878**	12,512
Cash used in investing activities	**(144,738)**	(115,006)
FINANCING ACTIVITIES		
Additional long-term debt	**60,000**	25,000
Repayment of long-term debt	**(1,410)**	(1,406)
Issue (repurchase) of Common Shares	**100,057**	(3,328)
Dividends paid	**(19,000)**	–
Cash provided by financing activities	**139,647**	20,266
Net increase (decrease) in cash during the year	**2,334**	(47,160)
Cash and cash equivalents, beginning of year	**7,247**	54,407
Cash and cash equivalents, end of year	**9,581**	7,247
Supplementary cash flow information:		
Cash taxes paid	**17,337**	12,798
Cash interest paid	**8,108**	5,622

See accompanying notes

Notes to Consolidated Financial Statements

(In thousands of U.S. dollars except per share figures and unless otherwise stated)

1. Summary Of Significant Accounting Policies

Basis of presentation

The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada and have been consistently applied.

On November 6, 1998, Husky Injection Molding Systems Ltd. amalgamated with 802802 Ontario Inc. and 1150438 Ontario Ltd. The successor company is continuing business as Husky Injection Molding Systems Ltd. (the "Company"). This amalgamation was undertaken in anticipation of the initial public offering of the Company and, accordingly, took place immediately prior to the initial public offering. The amalgamation has been accounted for as a continuity of interests as each of the corporations subject to the amalgamation were under common control. The financial results of the amalgamating corporations have been combined for the periods presented prior to the date of the amalgamation.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned.

Foreign currency translation

The Company's currency of measurement in its consolidated financial statements is the U.S. dollar as the majority of its activities are transacted in U.S. dollars.

All foreign subsidiaries are considered integrated. Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet dates. Non-monetary assets and liabilities and related income statement charges are translated at historical rates. All other revenue and expense accounts are translated at the average rates for the year. Foreign exchange gains and losses are included in net income for the year, except those which relate to long-term monetary items which are deferred and amortized over the term of the related asset or liability.

Derivative financial instruments are used to manage exposures related to exchange rates. They are not used for speculative trading purposes. Gains and losses on financial instrument contracts are recognized as realized.

Revenue recognition

Revenue is recognized upon shipment or transfer of the risks of ownership to the customer.

Cash and cash equivalents

All liquid investments with original maturities of three months or less are classified as cash and cash equivalents.

Inventories

Inventories are valued at the lower of cost (calculated on a first-in, first-out basis) and net realizable value.

Income taxes

Income taxes are calculated based on accounting income using the deferral method. Taxes are computed using current tax rates regardless of when the income is subject to taxes under the tax laws. The deferred tax balances which result are not adjusted for any subsequent changes in tax rates and include benefits related to investment tax credits.

Capital assets

Capital assets are recorded at historical cost and are depreciated or amortized principally on a straight-line basis over their estimated useful lives as follows:

	Rate
Land improvements	10-20 years
Buildings	20 -25 years
Machinery and equipment	2-10 years
Computer equipment and software	2-4 years

Government assistance relating to capital expenditures is reflected as a reduction of the cost of the related assets provided there is reasonable assurance that the assistance will be received.

Pension plans

The Company maintains unfunded individual defined benefit pension plans for the President and Chief Executive Officer. Pension costs for current services are based on the projected benefit method pro-rated on service, using management's best estimates and actuarial determinations. Pension costs related to past service, plan amendments, changes in assumptions and experience gains and losses are amortized over the expected remaining service life. In addition, the Company provides various defined contribution pension plans for other employees. Contributions made under the defined contribution pension plans are expensed as incurred.

The Company also provides certain health and dental care benefits to eligible Canadian employees and their dependents who retire between the ages of 55-65 and have worked at least 20 years for the Company. These benefits, for both the retiree and their dependents, are discontinued at the earlier of age 65 or the death of the retiree. The costs of providing these benefits are expensed as incurred.

Financing costs

Expenditures related to the issuance of long-term debt are amortized on a straight-line basis over the term of the related debt.

Research and development

Research and development costs are expensed in the year in which they are incurred, except when development costs meet the criteria for deferral. Investment tax credits relating to qualifying scientific research and experimental development expenses are included in net income on the same basis as the related expenditures are charged to operations, provided there is reasonable assurance that these credits will be realized.

Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the amounts reported and disclosed in the consolidated financial statements. Actual results could differ from those estimates.

Basic earnings per share

Basic earnings per share has been calculated using the weighted average number of Common Shares outstanding during the year after giving effect to the amalgamation.

2. Inventories

Inventories consist of the following:

	1999	1998
Raw materials	**17,155**	16,110
Work in process	**53,087**	46,313
Finished goods (including test room and demonstration equipment intended for sale and spare parts)	**54,445**	56,044
	124,687	118,467

3. Related Party Transactions

Prepaid expenses and other assets include the following related party amounts:

	1999	1998 (restated - note 1)
Loan to 1098727 Ontario Ltd.	**–**	2,692
Employee loans	**238**	123
	238	2,815

Loan to 1098727 Ontario Ltd.

1098727 Ontario Ltd. was a company owned by the President and Chief Executive Officer of the Company. On February 15, 1995, the Company loaned 1098727 Ontario Ltd. $7,000 to purchase 114,979 Common Shares of the Company pursuant to an agreement with a shareholder of the Company. The loan was repaid immediately prior to the initial public offering of the Company on November 9, 1998.

Employee Loans

The employee loans are unsecured and interest free with various maturities up to October 2004.

Other

The Company obtains legal and consulting services from firms in which non-officer directors of the Company are partners or officers.

4. Capital Assets

Capital assets consist of the following:

	1999		
	Cost	**Accumulated depreciation**	**Net book value**
Land	**18,681**	**–**	**18,681**
Land improvements	**18,806**	**2,936**	**15,870**
Buildings	**200,183**	**32,827**	**167,356**
Machinery and equipment	**227,857**	**64,434**	**163,423**
Computer equipment and software	**49,029**	**33,300**	**15,729**
Construction in process and deposits placed on capital assets	**41,473**	**–**	**41,473**
	556,029	**133,497**	**422,532**

	1998		
	Cost	Accumulated depreciation	Net book value
Land	15,801	–	15,801
Land improvements	13,180	1,423	11,757
Buildings	155,885	24,268	131,617
Machinery and equipment	150,536	47,621	102,915
Computer equipment and software	44,459	26,253	18,206
Construction in process and deposits placed on capital assets	46,213	–	46,213
	426,074	99,565	326,509

During fiscal 1999, the Company recognized government assistance of $6,317 (1998-$6,900) related to capital asset purchases.

5. Long-Term Debt

Long-term debt consists of the following:

	1999	1998
Senior Series A and Series B unsecured debentures in the amounts of Cdn. $56 million and Cdn. $24 million, respectively, maturing May 11, 2001. Both series of debentures bear interest at 9.48% payable in semi-annual payments. The debentures are redeemable at the option of the Company at an amount based on the present value of cash flows from the date of redemption to the original date of maturity at an adjusted market rate of interest.	**53,121**	52,945
Term loan facility totalling Luxembourg Francs ("LUF") 180 million, which bore interest at the Interbank Offered Rate plus 0.75%. The loan matured on June 30, 1999.	**–**	1,227
Term loan facility totalling LUF 65 million, of which LUF 39 million was drawn down at July 31, 1999 (1998-LUF 45.5 million), bearing interest at 7.00%. The loan is repayable in quarterly installments of LUF 1.625 million, maturing June 30, 2005. The loan is collateralized by a first charge over certain real property and other capital assets.	**1,033**	1,241
Five year, committed, unsecured, multi-currency revolving credit facility, at varying rates depending on the underlying debt instrument, under which the Company may borrow up to $100,000. The interest rate as at July 31, 1999 was 5.80% (1998-6.17%). The facility matures on November 6, 2002.	**85,000**	25,000
	139,154	80,413
Less current portion	**172**	1,404
Long-term debt	**138,982**	79,009

In addition, as at July 31, 1999, the Company has an unutilized, committed, unsecured revolving credit facility under which it may borrow up to $60,000 at varying rates depending on the underlying debt instrument. The facility will expire on October 9, 1999. It is the Company's intention to replace it with a $125,000 facility, maturing concurrently with the $100,000 revolving credit facility.

The approximate principal repayments required on long-term debt are as follows:

	$
2000	172
2001	53,293
2002	172
2003	85,172
2004	172
Thereafter	173

6. Defined Benefit Pension Plans

As at July 31, 1999, the present value of accrued pension benefits of the unfunded defined benefit plans was $4,854 (1998-$3,362) of which $3,603 (1998-$2,397) has been accrued.

7. Commitments and Contingencies

a) Commitments related to future capital expenditure programs approximate $26,000 at July 31, 1999.

b) At July 31, 1999, the Company is contingently liable to repurchase certain equipment sold in the normal course of business in connection with customer financing arrangements and for performance guarantees in the aggregate amount of $9,000. Should the Company be required to repurchase this equipment no loss is anticipated on resale.

c) Future minimum annual lease payments under operating leases are as follows:

	$
2000	7,973
2001	6,325
2002	4,486
2003	2,857
2004	2,368
Thereafter	7,413
Total future minimum lease payments	**31,422**

8. Share Capital

On November 6, 1998, the Company filed articles of amalgamation which resulted in the following classes of share capital with the following rights and attributes:

Authorized

Unlimited number of Preference Shares issuable in series.
Unlimited number of Common Shares without nominal or par value.

Issued and outstanding

Common Shares

	1999		1998	
	Shares	**$**	Shares	$
Balance, beginning of year	**99,925,233**	**26,603**	101,480,927	29,931
Issued under public offering, net	**15,400,000**	**100,888**	–	–
Issued during the year	**278,282**	**1,496**	872,277	1,764
Repurchased during the year	–	–	(2,427,971)	(5,092)
Balance, end of year	**115,603,515**	**128,987**	99,925,233	26,603

The number of Common Shares issued and outstanding prior to the initial public offering have been adjusted on a retroactive basis for a share split of approximately 49.844 to 1 Common Share, after cancellation of inter-company share holdings. The share split occurred at the time of the amalgamation on November 6, 1998. On November 9, 1998, the Company issued 15,400,000 Common Shares in an initial public offering for gross proceeds of $104,864 less underwriters' commission and other expenses of $6,303 ($3,976 net of income taxes recoverable).

Stock option

Coincident with the initial public offering of the Company, the President and Chief Executive Officer was awarded a one-time option to purchase 5,770,000 Common Shares. The option vests in five equal annual installments beginning August 1, 1999 and ending August 1, 2003. The option expires on August 1, 2008. If there is an acquisition of control of the Company prior to August 1, 2003, any portions of the option which have not yet vested shall be deemed to be fully vested. The exercise price of the option is Cdn. $10.50 per share. The impact of the option on the calculation of fully diluted earnings per share is immaterial.

9. Transition Costs

Transition costs for the year ended July 31, 1999 include $4,238 for employee termination and relocation costs and closing costs of the large tonnage machine operation in Pittsfield, Massachusetts. This facility will be closed in fiscal 2000 and large tonnage machine manufacturing will be consolidated in Dudelange, Luxembourg. A further $3,186 was incurred in fiscal 1999 (1998-$6,439) to complete the transition of hot runner manufacturing from Bolton, Ontario to Milton, Vermont.

10. Income Taxes

The income tax provision included in the consolidated financial statements differs from amounts which would be obtained by applying the combined Canadian federal and provincial income tax rates to income before income taxes. The differences are reconciled as follows:

	1999	1998
		(restated - note 1)
Income before income taxes	**24,469**	73,526
Canadian rates	**44.62%**	44.62%
Provision for income taxes	**10,918**	32,807
Increase (decrease) of income tax provision due to:		
Manufacturing and processing profits	**(2,083)**	(4,307)
Ontario research and development superallowance	**(336)**	(472)
Foreign tax rate differentials	**905**	(3,619)
Benefit of tax losses in foreign operations not recognized [i]	**3,470**	791
Utilization of prior year's tax losses in foreign operations	**(798)**	–
Other [ii]	**(2,778)**	2,740
Provision for income taxes	**9,298**	27,940

[i] *The tax benefit of the losses of $3,470 has not been reflected in the accounts. These losses have no date of expiry.*

[ii] *Other includes permanent income tax differences, translational foreign exchange gains and losses, and other.*

The tax benefit of investment tax credits of $2,355 has not been reflected in the accounts. These credits will expire by July 31, 2009.

11. Financial Instruments and Risk Management

The Company enters into forward foreign exchange contracts to manage its net exposure to currency fluctuations against the U.S. dollar on a global basis. As at July 31, 1999, the Company is committed to sell U.S. $157,500 (1998-U.S. $139,500) at an average rate of Cdn. $1.47 per U.S. $1 over the next fiscal year.

The fair value of financial instruments approximates their carrying value, except as shown in the table below. The fair values of the financial instruments in the table below have been estimated by management using available market information and do not necessarily represent amounts that the Company could potentially realize in a current market exchange transaction.

	1999		1998	
	Carrying value	**Fair value**	Carrying value	Fair value
Long-term debt (including current portion)	**139,154**	**143,047**	80,413	85,929
Foreign exchange contracts, liability position	**–**	**3,232**	–	6,709

The concentration of credit risks in accounts receivable is limited due to the Company's large customer base, geographic dispersion of its customers, deposits received from customers and use of letters of credit where the Company deems appropriate.

12. Segmented Information

The Company operates in one business segment, plastic injection molding equipment, which includes the development, manufacture, sale, installation, servicing and support of plastic injection molding equipment. The operations of the Company reflect a matrix form of organization whereby the manufacturing operations sell to the Service and Sales segments below. The Company assesses its performance by reviewing the geographic mix of sales from its regions, gross profits from overall manufacturing operations and consolidated profitability.

Americas represents North, Central and South America; Europe includes the Middle East, Africa, the Commonwealth of Independent States and India; and Asia Pacific includes Australia and New Zealand.

July 31, 1999

	Service and Sales operations			Manufacturing	Eliminations	Total
	Americas	**Europe**	**Asia Pacific**	**operations**	**& Other** [i]	
External sales	**456,554**	**204,511**	**47,142**			**708,207**
Intersegment sales				**569,165**	**(569,165)**	**–**
Total sales	**456,554**	**204,511**	**47,142**	**569,165**	**(569,165)**	**708,207**
Gross profit	**66,200**	**16,332**	**8,720**	**55,175**	**5,716**	**152,143**
Depreciation and amortization	**2,430**	**2,296**	**480**	**28,559**	**4,155**	**37,920**
Capital asset additions	**36,135**	**6,451**	**288**	**78,300**	**9,310**	**130,484**
Total assets	**122,973**	**80,941**	**14,288**	**380,674**	**65,958**	**664,834**

July 31, 1998

	Service and Sales operations			Manufacturing	Eliminations	Total
	Americas	Europe	Asia Pacific	operations	& Other [i]	
External sales	427,733	242,900	91,370			762,003
Intersegment sales				624,411	(624,411)	–
Total sales	427,733	242,900	91,370	624,411	(624,411)	762,003
Gross profit	62,748	23,561	15,003	96,774	3,695	201,781
Depreciation and amortization	1,942	1,389	600	18,028	2,668	24,627
Capital asset additions	5,161	11,173	448	129,998	7,825	154,605
Total assets	88,597	94,054	7,900	333,920	51,319	575,790

[i] *Eliminations and Other includes Corporate activities and assets not attributable to the operating segments*

External sales to customers in Canada and the United States for the year ended July 31, 1999 were $39,193 (1998-$29,648) and $345,098 (1998-$291,951), respectively. Capital assets in Canada, the United States and Luxembourg as at July 31, 1999 were $180,203 (1998-$167,296), $133,863 (1998-$83,282) and $89,978 (1998-$67,755), respectively.

13. Year 2000 Uncertainty

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

14. Financial Statement Presentation

Certain of the comparative figures have been reclassified to conform with the presentation adopted in the current year. The comparative consolidated statement of cash flows has been restated to identify certain non-cash investing transactions as required by the new accounting recommendations of The Canadian Institute of Chartered Accountants.

Supplementary Financial Information

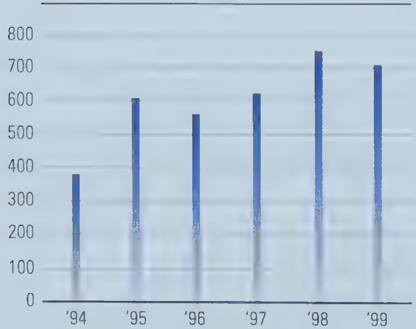
Financial Highlights

(in thousands of U.S. dollars, except per share amounts)		**1999**	1998	1997	1996	1995	1994
		Fiscal Years Ended July 31,					
Operating Results	Sales	**708,207**	762,003	626,417	568,200	608,701	385,095
	Gross profit	**152,143**	201,781	153,162	142,494	165,513	96,738
	Net income	**15,171**	45,586	34,890	32,988	50,139	24,316
	Operating cash flow [1]	**54,418**	66,642	55,093	53,906	65,104	38,870
Per Share Data [4] (U.S.$)	Basic earnings per share	**0.14**	0.45	0.34	0.31	0.46	0.22
	Basic operating cash flow [1] per share	**0.49**	0.66	0.53	0.50	0.60	0.36
Financial Position	Working capital	**47,170**	(17,015)	33,267	39,399	54,002	39,250
	Total debt [2]	**139,154**	80,413	61,812	64,558	65,977	60,814
	Shareholders' equity	**316,302**	217,747	176,403	155,530	132,102	83,027
	Total assets	**664,834**	575,790	457,288	422,045	443,062	282,744
Selected Financial Information	Net income margin	**2.1%**	6.0%	5.6%	5.8%	8.2%	6.3%
	EBITDA [3]	**70,792**	103,929	83,054	75,024	98,653	55,287
	Capital expenditures	**130,484**	154,605	39,352	68,918	58,911	45,721
	Total debt to total capital	**31%**	27%	26%	29%	33%	42%

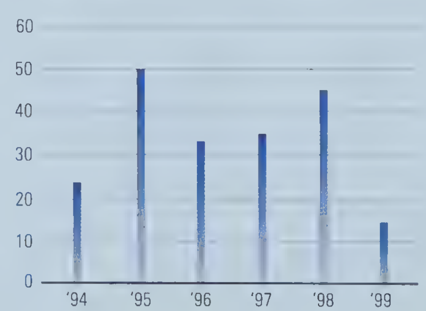
[1] *Net income plus items not affecting cash*
[2] *Total interest-bearing debt*
[3] *Earnings before interest, taxes, depreciation and amortization*
[4] *Weighted average number of Common Shares outstanding for fiscal 1997 and prior years after giving effect to the November 6, 1998 amalgamation*

Amounts reported are compiled from the audited consolidated financial statements of Husky Injection Molding Systems Ltd. For fiscal 1997 and prior years, amounts have not been restated for the November 6, 1998 amalgamation and are compiled from the audited consolidated financial statements of Husky Injection Molding Systems Ltd. prior to the amalgamation (see note 1 to the consolidated financial statements)

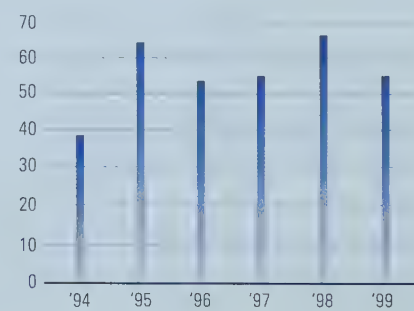
Sales
(U.S.$ millions)



Net Income
(U.S.$ millions)



Operating Cash Flow
(U.S.$ millions)



Summary of Quarterly Data

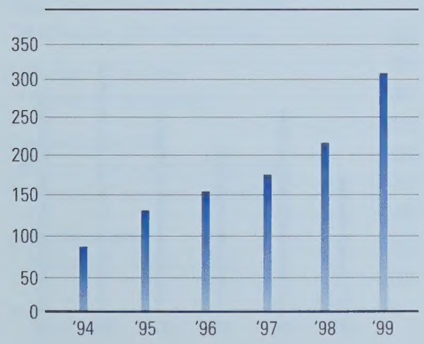
(in thousands of U.S. dollars, except per share amounts)

Fiscal 1999	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Year**
Sales	**140,452**	**158,547**	**194,932**	**214,276**	**708,207**
Gross profit	**28,847**	**30,259**	**47,299**	**45,738**	**152,143**
Net income	**1,021**	**(809)**	**7,954**	**7,005**	**15,171**
Basic earnings per share (U.S.$)	**0.01**	**(0.01)**	**0.07**	**0.06**	**0.14** [1]

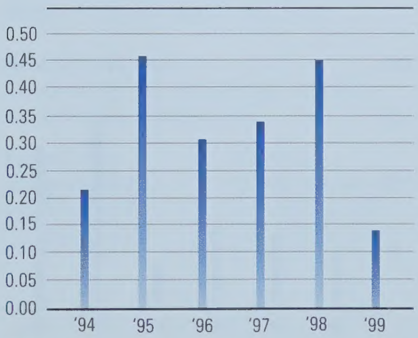
Fiscal 1998	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Sales	126,830	171,234	221,065	242,874	762,003
Gross profit	23,680	40,978	64,539	72,584	201,781
Net income	1,934	6,450	17,164	20,038	45,586
Basic earnings per share (U.S.$)	0.02	0.06	0.17	0.20	0.45

[1] *Difference due to rounding*

Shareholders' Equity
(U.S.$ millions)

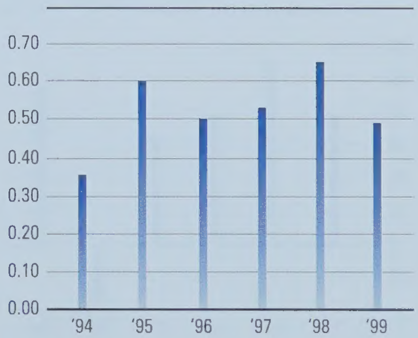


Earnings per Share [1]
(U.S.$)

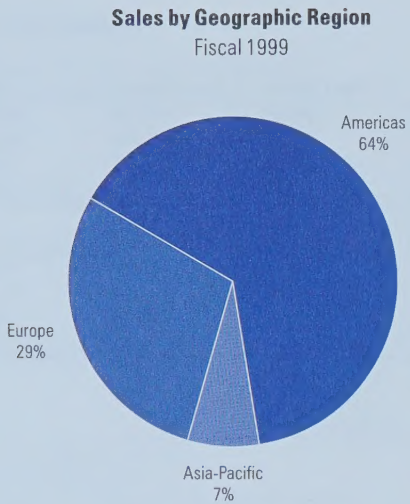


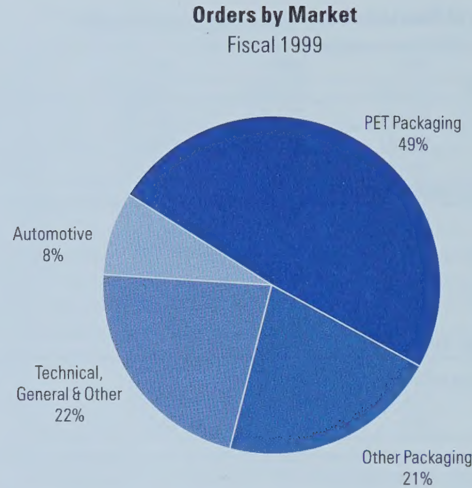
[1] *Basic*

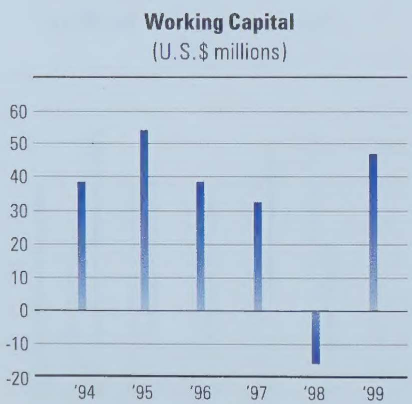
Operating Cash Flow per Share [1]
(U.S.$)

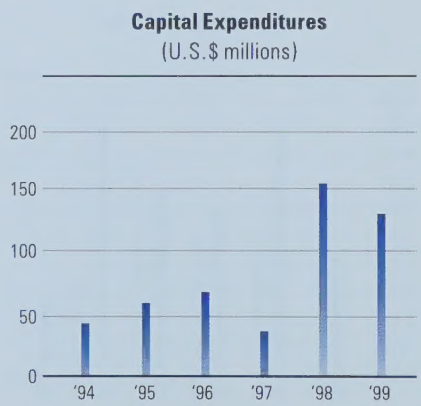


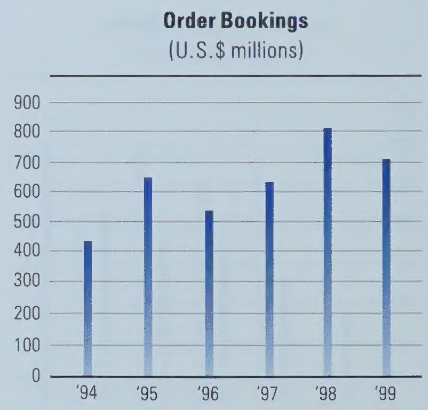
[1] *Basic*


Sales by Geographic Region
Fiscal 1999
Americas
64%
Europe
29%
Asia-Pacific
7%


Orders by Market
Fiscal 1999
PET Packaging
49%
Automotive
8%
Technical, General & Other
22%
Other Packaging
21%


Working Capital
(U.S.$ millions)
60
50
40
30
20
10
0
-10
-20
'94
'95
'96
'97
'98
'99


Capital Expenditures
(U.S.$ millions)
200
150
100
50
0
'94
'95
'96
'97
'98
'99


Order Bookings
(U.S.$ millions)
900
800
700
600
500
400
300
200
100
0
'94
'95
'96
'97
'98
'99

Corporate Information

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Robert Gillespie
Chairman and Chief Executive Officer,
General Electric Canada Inc.
Richard Roswech
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Southeastern Containers
Eric Russell, Q.C. **
Partner, Miller Thomson
Elizabeth Schad
Director
Robert Schad
President and Chief Executive Officer
Lawrence Tapp *
Dean, Richard Ivey School of Business,
The University of Western Ontario

** Chairman of the Board*
*** Counsel to the Company*

Compensation and Corporate Governance Committee
R. Gillespie, R. Roswech, E. Russell

Audit Committee
R. Roswech, E. Russell, L. Tapp

Corporate Officers
Valérie Chort, VP Environment, Health & Safety
David Cook, VP Service & Sales, Europe
John Galt, VP Engineering
Michael Gould, VP Systems
Robert Schad, President and CEO
Dirk Schlimm, VP Human Resources
Joel Schulman, VP Purchasing
Mark Segal, Director, Treasury & Investor Relations
George Trisic, Director, Legal & Taxation
Darrin Ullerick, Director, Financial Operations
Michael Urquhart, VP Service & Sales, North America
James Wilson, VP Information Technology
Jeffery Wilson, GM Medium Tonnage Machine
Stephen Wilson, VP Finance & CFO

Shareholder Inquiries
Inquiries, requests for information or general communications from shareholders, the financial news media or any other interested parties may be addressed to Investor Relations at the corporate office. To receive faxes or mailings of the latest news releases, quarterly reports or other financial documents, or to be added to a regular mailing list, please call the Investor Relations toll-free number at 1-888-88HUSKY (1-888-884-8759).

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Stock Exchange Listing
Shares are listed on The Toronto Stock Exchange and the Montreal Stock Exchange under the symbol HKY.

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Annual Meeting
The annual meeting for shareholders of Husky Injection Molding Systems Ltd. will be held at 10:30 a.m. December 1, 1999 at Le Royal Meridien King Edward Hotel, Toronto.

The meeting notice and proxy materials were mailed to shareholders with this report.

Auditors
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Cover:
Innovations like multi-mold carriers for large tonnage machines and dual carriage, in-line robots allow automotive molders to increase the output of their facilities.